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NPTA MANAGEMENT NEWS DECEMBER 1986

Will 1987 be Magical?
The Presidents' Forecast

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Cover Photo: Richard Chesnut

JAMES RIVER TO ACQUIRE SPECIALTY PAPERS COMPANY

Specialty Papers Company of Dayton, OH a leading manufacturer of flexible packaging materials supplied to the food processing and customer packaged goods industry will be acquired by James River in an exchange of stock. The company to be acquired posts annual sales of approximately $65 million and employs 400 people.

James River's Flexible Packaging Division will take in Specialty Papers as part of its operation. This "underscores James River's commitment to strengthen its position in the flexible packaging industry," the company reported. James River now has annual sales of approximately $4.7 billion.

EXPANSION AT LINDENMEYR

A brand new 24,000-square-foot warehouse will be constructed by the Lindenmeyr Paper Corporation in the Lancaster Industrial Park to serve the Lancaster, Harrisburg and York, PA, printing market. It will also house sales offices and a Graphic Resource Center to provide paper samples and specimens, custom-made paper dummies, and information and counsel on paper selection and specifications, as well as regularly-scheduled exhibits and seminars for the graphic arts professionals throughout the area. Dale Rohrer will manage the branch which will operate in close conjunction with the company's Philadelphia division.

In making the expansion announcement, Alfred M. Schlosser, Lindenmeyr's president, declared, "This move represents a major commitment to the printing and design industries of the entire region, which we are confident will continue to grow both in size and in the devotion to quality they have manifested for decades."

CASE PAPER HAS NEW STRENGTH IN MIDWEST

"To keep pace with the continued growth of commercial printing in the nation's midwest," Case Paper Company's president Irving Schaffer announced its expanded facility in Chicago. The capacity of Case's paper converting and warehousing has doubled and is expected to meet both present and future needs.

Space will be provided to inventory more than 30 million pounds of coated and uncoated stock and the plant will be equipped with three trimmers, one slitter/rewinder and three sheeters including a new Clark-Aiken Super DS sheeter. Mr. Schaffer said that the company's sales volume in the midwest has nearly doubled during the past five years and that "nationwide sales for the first three quarters of 1986 are up 10%" over the same period a year ago.

The new 140,000-square-foot facility is located at 900 West 45th Street, Chicago, and should be in full production by the end of the year.

BUTLER PAPER FORMS ITS FOURTH REGION

A newly-created southwestern region includes Arkansas, Louisiana and Texas, Butler Paper Company president F.G. Walker announced. The location of this fourth region will be reported soon. With 63 outlets coast to coast, the company operates as part of the paper distribution and converting division of Great Northern Nekoosa Corporation, and had over $700 million in 1985 sales.

Robert H. Nauta, former vice president and general manager of the Chicago division, is the new region's vice president; Glenn Barton replaces him in Chicago. Another personnel change resulting from the new region is Michael R. Conley as vice president of the central region. He was vice president and general manager of the Milwaukee division and he will be replaced there by James L. Kruk. Alan E. Lang and Robert W. Kunde will continue as vice president of the eastern and western regions respectively.

SCOTT ESTABLISHES EURO-COMMERCIAL PAPER MARKET

An important new source of capital, the Euro-commercial paper program, was established by Scott Paper Company whose combined worldwide 1985 sales totaled $4.1 billion. Under the program, Scott can borrow the equivalent of up to $200

EVENTS

DECEMBER

11–12. *Financial Times Conference "World Pulp and Paper" to be held in London. For further information call Stephanie Dewey, 01-621-1355.*

JANUARY

20–22. *Maximizing the Potential of Multi-Branch Logistics, New Orleans, LA. Contact NPTA.*

FEBRUARY

13. *Managing Customer and Product Line Profitability—A Key to Survival in the '80s, Minneapolis, MN; Innisbrook Resort, Tarpon Springs, FL. Contact NPTA.*

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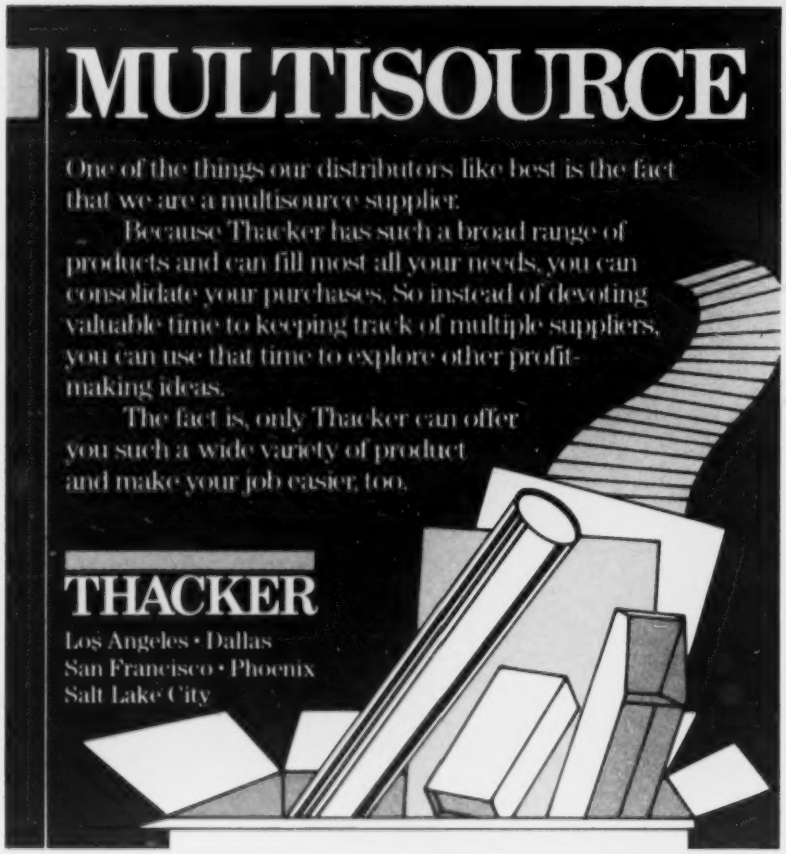
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PAPER DISTRIBUTION INDUSTRY
BEST SELLERS

Rank	Publication	Last Mo.
1	Printing Paper Sales Compensation. *NPTA.* $40.	1
2	Fine Paper Catalog. *Grade Finders.* $55.	2
3	Improving Profits Through Better Marketing: The Marketing Productivity Audit. *Healy.* $35.	—
4	The Practical Handbook of Warehousing. *Ackerman.* $40.	3
5	The U.S. Paper Distribution Industry: A Market Research Data Source. *NPTA.*	4
6	A Guide to Value-Added Purchasing. *NPTA Brochure.* 10¢ each.	5
7	Measuring Customer and Product Line Profitability. *Mullins.* $35.	—
8	Merchandising to Maximize Your Margins. *VanDeMark.* $25.	6
9	Practical Handbook of Distribution/Customer Service. *Blanding.* $40.	9
10	Wholesaler Inventory Control. *VanDeMark.* $25.	8

ALL PUBLICATIONS ARE AVAILABLE FROM NPTA

million in notes offered through Morgan Guaranty Ltd and Swiss Bank Corporation International Limited.

The London branch of Morgan Guaranty Trust Company of New York will act as issuing and paying agent, but the notes cannot be sold in the U.S. or to U.S. persons. Scott may issue the notes in minimum denominations of $500,000 (U.S.), 1 million pounds sterling, and 1 million ECU with maturities ranging from seven to 183 days.

Ashok N. Bakhru, Scott senior vice president and CEO, said, "The Euro-commerical paper market is rapidly developing into an important source of capital, and complements well the U.S. commercial paper market. Entry into (it) is consistent with Scott's objective of obtaining the lowest cost funds."

MERCHANTS SALES COMPANY HONORED

At a recent NPTA show, two companies paid tribute to Merchants Sales Company, a manufacturers' representative agency that markets products through distributors. Alumax Foils presented a plaque to the company, recognizing it as their manufacturers' representative of the year. Anchor Industries also awarded the company a plaque because it attained the largest dollar sales increase for fiscal year 1986. Salesmen of Merchant Sales received special plaques.

CARDINAL PAPER ACQUIRES SOME OKLAHOMA PAPER ASSETS

Upon final approval, an agreement will have Oklahoma Paper Company's inventory assets going to Cardinal Paper Company. Oklahoma's president Sig Harpman, Jr., and general sales manager George Shadid will join Cardinal, together with selected sales and support personnel there. "We have long respected Oklahoma

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"MBWA" MAY BE THE BEST WAY TO STAY IN TOUCH

Managing By Wandering Around (MBWA) may either be the best way to stay in touch with employee activities or it may be just a way to legitimize something some managers do anyway. In Tom Peters book *In Search of Excellence,* he explains that "not many managers practice MBWA, and those who do don't to it right. Wandering around doesn't mean a reversion to stone-age management in which people are kicked in the backside and told how to do their jobs."

Well then, how does a sales manager wander around properly? The purpose of wandering is to remove yourself from the isolation of the office in order to keep in touch with what is going on. The wanderer is *not* a traffic cop.

Peter feels strongly that the key managerial role is that of facilitator. He or she brings people and resources together. Peter says the manager should engage in "naive listening" while practicing MBWA. It requires "asking a question and keeping your mouth shut until you've heard the answer."

Admittedly, this is not easy to do. "Manager's have to earn their employee's confidence," Peters says. Listening pays off in the long run. Try being a walking listener.

Paper Company," said Cardinal's chairman Robert W. White. "Our combined strengths will provide Oklahoma businesses with improved service, a wider variety of products and more competitive costs." Cardinal Paper is a wholly-owned subsidiary of Century Papers, Inc., which operates 17 distribution centers in the midwest and five retail stores in Texas.

THE TOILET PAPER INDEX: A NEW ECONOMIC PREDICTOR

It has been in existence for nearly six years, says Jim Kent, chairman and CEO of Associated Paper & Supply of Lithonia, GA, and has been a faithful predictor of economic activity. What Kent has been flushing out over the years is data for his *Toilet Paper Index*, (the TPI). Although the federal government has not picked up on it yet, there may be merit in creating a predictive model.

Kent reports that as the economy goes, so goes the ordering of toilet paper. On the surface, the correlation seems questionable. He has found, though, that when the economy is strong, businesses order lots of toilet paper. And when the economy turns down, there are more people out of work and so less need for toilet tissue in offices and industry at large. It seems to make sense.

But there are two-plys to his approach. Kent takes it one step further. In a growth economy, businesses are buying better quality products. "You see that in the better buildings," says Mike Williams, president of the company. "You're going to see an end to the junk stuff." Evidently, premium toilet paper is reaping the rewards in Kent's TPI.

NEWS BRIEFS

MEAD announced 1986 third quarter earnings from continuing operations of $36.3 million before a one-time charge from previously discontinued operations of $13.2 million. Net earnings for the third quarter of 1985 were $23.6 million.

Sales of $837.4 million in the third quarter this year were up 18% compared to 1985 sales of $709.5 million for the same quarter. Third quarter 1986 sales included approximately $64 million for one month's operations of the Zellerbach Distribution businesses acquired September 3, 1986. Sales for the first three quarters this year were $2.29 billion compared to $2.10 billion in 1985.

"Markets and operations in our major businesses were very strong during the quarter," commented Burnell R. Roberts, the company's chairman and CEO. "Mead's pulp, paperboard and paper businesses turned in solid operating performances in the midst of improving market conditions."

CHAMPION INTERNATIONAL CORPORATION announced 1986 third quarter net income of $63.8 million, compared with $37.9 million for the same quarter last year. Net sales of $1.1 billion were about equal to the last quarter but below year-ago levels primarily due to the sale of packaging operations to Stone Container Corporation in February. The net income for the first nine months of 1986 was $136 million; it was $125 million for the comparable period in 1985. The company reported that some cost-savings were made and certain other costs were transferred to business segments in connection with its reorganization July 1st. On that date also a new pension accounting program was adopted. Printing and writing papers sales improved.

LESLIE PAPER-CHICAGO celebrated three successive months of record sales growth with an Open House for its customers and vendors on October 3, 1986. About 500 guests toured the facility's expanded inventory program and shared food and drink in a jungle setting. (The company's colors are orange and black, and the tiger is its mascot.) The turnout was considered impressive in the light of widely reported Des Plaines flooding which had closed many of the area's thoroughfares. It certainly did not dampen the enthusiasm of the participants.

UNION CAMP's earnings for the third quarter of 1986 rose 81% to $36,427,000, with sales up 11% to $463,771,000, compared to 1985's third quarter. Company chairman and CEO Gene Cartledge said, "Demand for paper and paperboard in both domestic and export

markets was very strong." He foresees continued strong demand for paper and packaging.

GREAT NORTHERN NEKOOSA CORPORATION announced record third quarter net income of $34.6 million, more than triple the 1985 comparable period. Conditions believed to be responsible are the weakening U.S. dollar and strong export and domestic demand. The 1986 net income includes a one-time charge reported in the second quarter to reduce operations and implementing productivity improvement programs in Maine. It also includes a $2.3 million investment tax credit in the third quarter and $8.1 million in the first nine months of this year. The proposed 1986 Tax Reform Bill would reduce the $8.1 million by $3.2 million. "We look for continuing improved earnings for the remainder of the year," said company chairman William R. Laidig.

PEOPLE IN THE NEWS

Donald K. Watson has joined the Whiting-Patterson Company, a division of American Envelope Company, as president and general manager. He follows **Benjamin P. Wright** who retired.

Robert "Bob" Weede has been appointed marketing manager of business forms products, the Southern Region of the Unisource Corporation announced.

Bob Topliff was promoted to the position of distribution manager of Lindenmeyr Paper Corporation's New England division. Also, **Meredith White** was advanced to sales service manager of the Canton, MA, headquarters facility, and **Guy Barbieri** joined the division as sales service manager in Hartford.

William A. Enouen was elected senior vice president and chief financial officer of Mead's forest products and electronic publishing company. A certified public accountant, Mr. Enouen has been with the company for 27 years, beginning as assistant to the controller.

John Stangby is now Butler Paper's vice president and general manager of the Sacramento, CA, division, and **Lamar Alexander** is manager of printing paper for the Baton Rouge division.

Ronald G. Hilton is now vice president of finance and administration for Inlander-Steindler Paper Company, Elk Grove Village, IL. In this new position, Mr. Hilton is responsible for the administration and direction of all financial matters and accounting operations, as well as for the company's commercial and employee insurance programs.

Clete Thayer retired on October 29, 1986, from Leslie-Paper's Minn-Dak Region where he served as printing papers manager. **Joel Whitbeck** succeeds Mr. Thayer in that position. **Ruth Shaltis** was also promoted; she was personnel manager of the company in Chicago and will become secretary of the Leslie Paper Foundation, a corporate position in Minneapolis.

Joseph M. Pancza, Jr., has been named director of sales and merchandizing of the Personal Care Division of Marcal Paper Mills, Inc.

Peter F. Yacavone, 58, vice chairman of the Great Northern Nekoosa Corporation, died of an apparent heart attack September 28 at his home in Stamford, CT. He joined Great Northern Paper Company in 1966 and was elected president in 1983 of the parent company, Great Northern Nekoosa.

Matthew Sack is now vice president of sales at DataCom Inc. In addition, he will retain his responsibilities as vice president of DataFile, Inc., a manufacturer of expanding file products.

Robert F. Meyer and **Billy C. Bond** were elected to the position of corporate vice president of the Hammermill Paper Company. Mr. Meyer will continue to serve as president of the Hammermill Papers Group while Mr. Bond will continue as president of the Allegheny Railroad Company and of the Southern Forest Products, as well as director of Corporate Forest Resources.

David Marunycz was appointed manager of product development, and **Mark E. Powell**, research associate for Penntech Papers Inc. Both men will be working out of the research and development department of Penntech's Johnsonburg, PA, pulp and paper mills under the supervision of **Richard L. Post**, director of research.

NEENAH PAPER HOLDS 3-DAY SPECIFICATION SEMINAR

Sales specification participants from the United States and Canada attended a 3-day merchant specification seminar entitled "Teamwork, The Key to Success," conducted by Neenah Paper. Topics which were discussed included the role of specification sales in design, promotions and advertising for specification sales, specialty printing techniques, and others. An overview was presented of the fine paper market and Neenah's role in it, after which Neenah's paper mill and distribution center were toured.

PRINTING PAPER

PAPER POP-UPS ADD PIZAZZ TO PRINT

Once thought only appropriate in children's books, paper pop-ups are popping up in a great variety of advertising media. The latest of these appeared on the pages of *Sports Illustrated* where an entire truck model leaped off the paper.

Paper engineers (as they are called) craft beautiful three-dimensional designs, usually representative of actual things—like a truck, the Empire State building or even a tall ship. Structural Graphics created a clipper ship and showed how they went about it in the pages of *Step-By-Step Graphics*. They reported that nearly 40% of the total cost of production of any pop-up is in the labor required "to build it, with another 20% for paper. Printing represents about 18%, diecutting is another 15% and art is the remaining 10%."

Paper used for these projects usually bulks at about eight points. This stock is thick enough to fold properly without being too bulky. Paper engineers often start with a thicker, coated stock in the design stage because it is easier to work with.

In 1981, the United States Post Office began allowing novelty inserts in magazines without an extra mailing charge. Since then, Yves St. Laurent has had a bouquet of flowers pop out of *Vogue* with a perfume strip, Honeywell had a paper company building leap off the pages of *Business Week*, and recently Transamerica placed an ad in the 5.5 million copies of *Time* that had the famous pyramid-shaped building grow out of its pages. The company spent $3.5 million on the four-page insert.

Interest in paper engineering has resurfaced of late. Lowell Hess, a graphics historian, has found paper engineering designs dating back to the 1500s and says that the Victorian era had a fascination with all things mechanical and made elaborate paper pop-ups.

The 20th century saw very little three-dimensional paper work until the 1960s when Waldo Hunt, considered to be the Godfather of the modern industry, began his work.

Today, the sky is literally the limit. Paper usage in pop-ups and the related area of cut-outs is growing steadily. A set of 15 award-winning paper airplane designs, packaged with a direction book and heavy-weight paper stock has been a big seller in hobby and novelty stores for $14.95. They are sophisticated and not easy to build. Paper is now being seen as the ultimate building block by craftsmen, engineers and advertisers.

REPORT FORECASTS PRINTING MARKETS AND PAPER GRADES

In May 1987, a three-volume report will be available analyzing trends and forecasting prospects for major printed products and paper grades. The Graphic Arts Technical Foundation of Pittsburgh and Strategic Futures, Inc. of New York are cooperating to produce the report, *Printing Markets Outlook and Paper Grades Outlook*.

Over 40 printed product markets and

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their segments will be explored in the first volume; current and forecasted demand for 25 paper grades and subgrades will be examined in the second volume; and the third volume will interface the information in the first two. Sponsoring companies will receive detailed data on planning, production and management for existing and expanding markets in order to understand new threats and opportunities. More information may be obtained from Murray L. Halbert, SFI, 595 Madison Avenue, New York, NY 10022, 212–371–9111, or Dr. Nelson R. Eldred, GATF, 4615 Forbes Avenue, Pittsburgh, PA 15213, 412–621–6941.

PRINTING PAPER MAGAZINE STUDY TO FORECAST PRODUCTION THROUGH 1991

In its fourth major multi-client study since 1972, Strategic Futures, Inc. (SFI) will analyze the magazine industry and its growth potential for the next five years. The study is designed for use by paper companies, printers and manufacturers. There will be two major components of their work: 1. an indepth report and forecast on industry changes with explanations of why these are likely to happen; 2. a database analysis of over 20,000 magazine titles that sponsors can use for customized, confidential computer runs.

For more information on SFI's work, contact them at 595 Madison Avenue, New York, NY 10022; 212–371–9111.

EUROPEAN PULP AND PAPER INDUSTRY INFORMATION BOOK

160 pages of the *Paper European Data Book 1986* give detailed statistics on supply and demand, raw materials and market conditions governing the health of the Western European pulp and paper industry. The book is divided into 11 chapters, covering general indicators (population, land area, GNP, etc.) the industry's structural data (operating rates, investment information), grade-by-grade descriptions of the pulp, paper and board sector, and many other topics. It was published in October 1986 by the international journal *Paper*. Write to Venetia Child, Circulation Dept., Benn House, Tonbridge, Kent TN9, 1RW, UK, for more information.

WEB MARKING IS REDUCED BY AIR FLOTATION

A major innovation in web printing has harnessed forced air to support web paper as it moves through the press. It is a non-contact system that reduces web marking from paper travel at points where the paper must change direction.

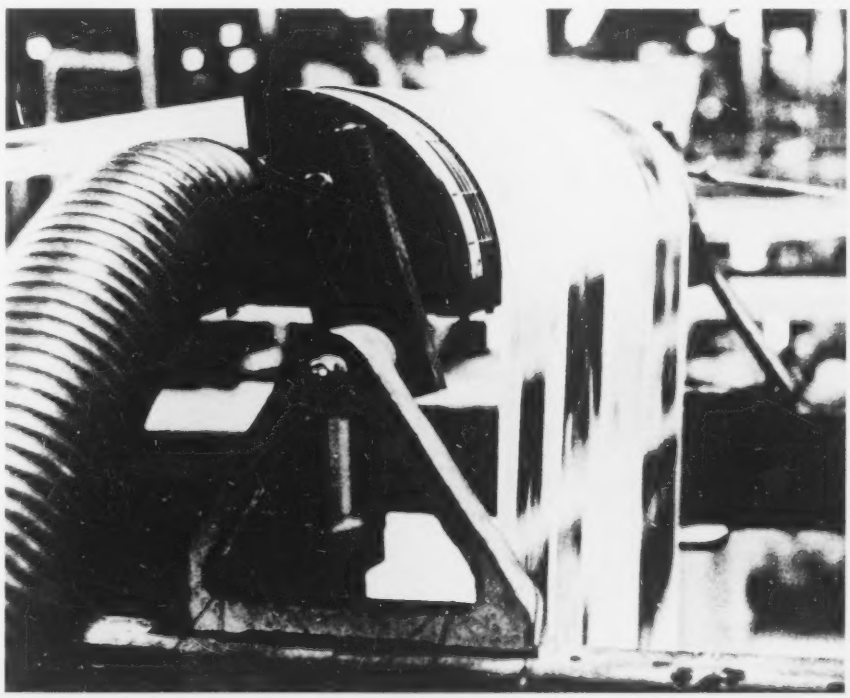
Tecturn™, an air cushioning system developed by TEC Systems, uses an air bar with a "waffle vent" arrangement for uniform airflow across the entire width of the web. The clearance is held constant despite changes in web tension. An optical scanner is also used to automatically steer the web.

INDUSTRIAL PAPER

DISCARDED PLASTICS: IS THERE AN ANSWER?

With so much being made of the adverse effects of discarded plastic disposables on the environment, industrial merchants are certain to be affected. On June 25, 1986, Senator John Chafee (R, RI) introduced S. 2596, the plastic waste reduction act bill. The purpose of the act is to study the effects of discarded disposable product containers on the environment, especially fish and wildlife. Under the act, the Environmental Protection Agency administrator would be required to make recommendations on actions to be taken to alleviate the problem.

The bill also mentions raw plastic particles used to make products as a target for future research. According to the agency, these pellets are mistaken for food by small animals, fish in particular.



Many northeastern states have adopted "bottle bills" in the hope of lessening the amount of plastic bottles and drink containers being discarded on roads and other places. Another major target is fast food packaging and paper wraps on snack items such as potato chips, plastic wraps on confectionery, and other products. A hearing on this area of study is due to be held next year.

THE CLEANING AND MAINTENANCE SUPPLY INDUSTRY, 1985-86

Sales of sanitary supplies by distributors reached an all-time high of over $7.6 billion in 1985, according to a 1986 survey conducted by *Sanitary Maintenance Magazine*. 1986 sales are projected to exceed $8.2 billion.

The survey reveals some very interesting facts. Total distributor sales have increased by $650 million, a little over 9%. To support these increases in sales, distributors have added nearly 4,000 sales people to their staffs.

While the number of firms doing less than $500,000 annually increased only slightly, a number of firms whose sales were in excess of $1 million grew by 8.7%.

In 1984, 2,488 distributors were doing more than $1 million annually with total sales of $5.4 billion (77% of the total market). In 1985, 2,704 firms were in this category with total sales of $6.3 billion (82% of the total market). As the industry matures, the trend toward larger firms accounts for an increasing share of the market.

Based on the survey results and the projection of $8.2 billion in 1986 sales by distributors, industry manufacturers should look for a solid growth rate of about 8% for the year. Supply purchases from distributors total $527 million compared to over $241 million directly from the manufacturers. This represents purchases only by those service firms in the survey. It is estimated that these firms represent 80% of all the purchases by service firms in the U.S. The largest percentages of materials bought directly are in the floor finish, cleaner and chemical areas. A substantial number of floor machines, however, are also bought directly from manufacturers. Other supplies, generally speaking, are most often obtained from distributors. Overall, approximately 69% of all purchases by contractors are from the sanitary supply distributor.

IT'S ALL IN THE BOX?

An article in *Single Service News* about a Gallup study reviewed in *Nation's Restaurant News Magazine* found that consumers were more satisfied with takeout packaging used in supermarkets, delis and Italian restaurants than the packaging used in fast food outlets. 76% of those polled were very satisfied with packaging used in supermarket delis, compared with 74% for Italian restaurants. 61% were satisfied with packaging used in fast food restaurants and 64% were happy with packaging in Mexican restaurants.

The article went on to say that adults who purchased takeout foods in the past 30 days increased from about one-third (35%) in 1977 to half (50%) in 1986. About half of this increase occurred since 1985. The top choice for takeout patrons was pizza or Italian restaurants (20%), followed by Chinese restaurants (9%), supermarket delis (8%), family restaurants (7%), and an assortment of other restaurant types.

The growth in dinner takeouts appears to be related to hectic schedules and busy lifestyles. The primary reasons for choosing takout dinners were not wanting to cook (33%), and lack of time to prepare a home-cooked meal (33%). Smaller proportions were ordering takeout food for the sake of variety in the diet (16%) and to serve friends or family (8%).

The study also concluded that families in a two-income household were more likely to eat dinner in shifts than those in traditional households, according to the *Menu Monitor Report*. Families now eat in shifts 10% more frequently than they did 10 years ago. It is mostly the 18 to 34 year-olds who choose this new eating style. The study also attributes some of these trends to the breakdown of the family as an American institution.

SCOTT ISSUES BROCHURE ON CLOTH-REPLACEMENT WIPERS

All cloth-replacement wipers Scott offers and wipers made by other manufacturers are listed in a new brochure by Scott Paper Company. The *Wiping Products Information Chart* contains detailed product-specification figures on precision, medium-duty, roll, and more on cloth-replacement wiper lines from several companies and the corresponding Scott wiper products. The brochure may be obtained by writing to *Wiping Products Information Chart*, Scott Paper Company, Dept. JS-39, P.O. Box 830, Devon, PA 19333; or call 1–800–4–SCOTT–1.

MANUFACTURERS' REPS DIRECTORY AVAILABLE

Hundreds of independent manufacturers' representatives in paper, plastic and sanitary supplies throughout the United States can be found in the 1986–87 *Manufacturers Representatives of America (MRA) Yearbook and Directory of Members.* The directory may be obtained for $40 per copy from the MBA headquarters at 117 Miramar Avenue, Biloxi, MS 39530.

White House Small Business Conference

The 1986 White House Conference on Small Business took place in Washington, DC, from August 17 to 21, and was convened by President Reagan. It was the culmination of state and regional meetings held during the preceding year pursuant to newly-enacted bipartisan legislation calling for a national conference on small business (firms with fewer than 500 employees).

Twenty thousand executives participated in meetings across the country, and over 160,000 entrepreneurs were surveyed on major issues confronting small business today. Then this past August, 1823 small business representatives met with Senator Lowell Weicker (R, CT) and Representative Parren Mitchell (D, MD) to express their needs and concerns along with proposed solutions.

The delegates discussed, developed and prioritized a total of 371 agenda items covering finance, international trade, procurement, education and training, payroll costs, taxation, regulation and paperwork, economic policy, liability insurance, innovation and the future of an agency for small business.

After often lengthy examination and a series of votes, the initial agenda was narrowed down and rank ordered to 60 recommendations. They constitute the White House Conference's final suggestions on small business for serious consideration by the President and Congress.

The following paragraphs summarize the top 20 of the 60 recommendations which were agreed upon by the participants.

The principal concern of small business owners related to the country's liability insurance crisis. A four-pronged effort was recommended: civil justice reform; uniform standards for product, professional and commercial liability; regulation of the insurance and reinsurance industries; and viable, affordable alternatives to liability coverage. Furthermore, the Conference asked that a Senate bill be approved incorporating uniform fault defenses and eliminating joint and several liability. Emphasis was placed on defining "responsibility," including recognizing that each citizen must assume some responsibility for his/her safety and the normal hazards of everyday living.

According to the recommendations, federal and state governments should not mandate employee benefits, such as employer-paid health benefits, parental leave, disability leave, etc. Nor should government compete unfairly with small business in performing commercial services. A permanent advisory group should be set up to review non-profit and government actions in this regard.

The present Social Security system should be phased out over a long period and replaced with an optional, actuarially sound system of retirement and health benefits. All non-retirement programs should be removed while all government workers should be brought in. Both employer and employee contributions should be reduced and the base and tax rate should be frozen at the 1986 level. Private retirement programs should be encouraged.

Among suggestions for balancing the federal budget were a constitutional amendment, granting the President a line-item budgetary veto, rank-order budgeting, and correcting the Gramm-Rudman-Hollings law to adhere to its deficit reduction targets.

To disseminate information on international business opportunities, a Cabinet-level Department of International Trade should be created. Information should be made available about export financing, education and training, licenses, trade missions, etc. The department should represent small business in negotiations and policy actions, including extension of the General Agreement on Trade and Tariffs (GATT) to take in such things as intellectual property rights and services (patents and proprietary rights in data and technology).

There should be advancement on all levels of entrepreneurial education and instruction about the free enterprise system.

The matter of labor costs should be improved through repeal of both the Davis-Bacon Act and the Service Contract Acts.

The government should bear the burden of proof for substantial justification in connection with income tax disputes, and legislation should provide small business with the option to submit to binding arbitration any matter pertaining to a dispute with any federal agency before going to court. Congress should also extend to the IRS the Equal Access to Justice Act, requiring that agency to be subject to all the standards of the act.

Capital formation should be developed for small business through tax incentives for investment and the purchasing of new and used equipment, reenactment of the present advantages of capital gains, added credit for buying domestically produced products, developing and implementing new vehicles for small business capital formation, retention of the benefits of the General Utilities doctrine relating to any gain resulting from the sale or liquidation of a small business, and innovative research to strengthen small business programs.

A Small Business Administration agency should be maintained independent of any

Continued on page 25

The Presidents' Forecast

How does 1987 look to the paper merchant? NPTA's members of the board of directors thought about it and report what they see ahead. There will be improvement, they say, but it will require hard work.

Herschel G. Maltz

Obstacles Can be Opportunities

by Herschel G. Maltz, president
Century Papers, Inc.
Houston, TX

Prospects for improved profitability in 1987 look bright, due to the invaluable lessons learned during soft market conditions in 1986. A sluggish economy forced many of us in our part of the country to rethink former marketing strategies, to streamline areas of inefficiency and to keep marginal costs in balance with sales. By taking such a pragmatic approach, we have been able to turn obstacles into opportunities for this coming year.

An important key to continued success begins with the selection of personnel. Employees should be chosen not just in terms of their professional and educational qualifications but according to how well each personality fits the job description. Professional on-the-job training should be given particular emphasis. To this end, Century Papers has instituted our own "Dollars Ahead"© program, an innovative management approach that creates a marketing direction through financial planning. Our sales people are encouraged to set annual objectives in terms of earning expectations and key accounts developed; in turn, sales managers work with the sales people, offering strategic training and product instruction to support that effort. As a result, the objectives of the individual combine with the goals of the company in a coordinated effort that gets the job done in a directed, efficient manner. Both Century and the sales person become "dollars ahead."

Jonathan O. Bloom

In today's changing market, entrepreneurs must devise dynamic and creative ways to meet new challenges. Mergers of mills and merchants will continue to cause more changes in operating philosophy and new disruption of traditional channels functioning in the marketplace. The influence of foreign importation is playing an increasing role in the distribution field, impacting on lead times and pricing. In addition, manufacturers are reacting to national account selling with inadequate consideration of costs incurred by the distributor. Therefore, distributors have less and less opportunity to control the resale prices of their merchandise; they must continually reconcile deviated vendor prices and apply for cumbersome rebates.

The entrepreneur in the 1980s must always be aware of these complex market forces, adopting a fine measure of flexibility, efficiency and creative planning. Those of us in the distribution industry should stand ready to take on the demands of the future, applying the lessons of 1986 to promote profitability in the coming year.

Three Areas Need Our Attention in the Coming Year

by Jonathan O. Bloom, president
J B Papers
Union, NJ

For printing papers, 1987 looks to be a continuation of '85 and '86 in that I expect supplies of most grades to be relatively available, if not truly soft. Therefore, there would seem to be no reason to expect margins or profits to improve; rather, we will need to work hard to maintain net returns to our investors. If this outlook is correct, it means three aspects of our business continue to be critical.

First, strong customer relationships have always been the basis of any selling or distribution business. If the product—in our case, paper—is readily available, the merchant with the customers will survive and, at the least, get a chance to grow. Increasingly, these customer relationships will need to be built and rebuilt on true value-added services, from creative sourcing to efficient logistics. Without those differentiating services, the relationships will not long survive the increasingly skilled competitors most of us are becoming.

Second, we have all known we can't compete across the entire spectrum of our markets, but most of us have had real trouble narrowing and focussing on those markets in which we want most to build. It is one of the most difficult yet most essential parts of any planning: to identify those markets we do not want to pursue. I will confess, we at J B Papers have been no more successful than most at it. However, we need to evaluate the markets we want to target, then devise and revise strategies to serve them.

Third, we have also known that the key to future survival and growth is increasing the productivity of our people. Yet most of us are still more reluctant to invest in our people than in equipment and electronics. Sales training, the area with the most obvious and immediate payback, has become almost standard in our industry. But most of us need to constantly prod our sales management to maintain any momentum. Training of customer service, administrative and physical distribution personnel need attention in almost all of our companies to give us the base for the future.

Internal Operating Efficiencies are Paramount

by Frederick J. Stabbert
director, business development
Hammermill Paper Company
Erie, PA

On a national scale, 1987 is expected to offer a stable economic environment and a reasonably good business climate for the paper distribution business. Inflation, while perhaps inching up to a somewhat higher level than in 1986, will still remain relatively low compared to past years. The geographic markets of the northeast as well as the southeast will offer the best opportunities for real growth, while those geographic locations heavily involved with energy or agriculture will have somewhat lower growth rates.

When viewed from a business segment basis, the industry will continue to have excellent opportunities for growth in reprographics, computer paper and various coated printing paper markets, along with janitorial supplies, food service disposables and interior and exterior packaging segments.

With few exceptions, products will remain readily available during the year, providing a highly competitive business environment with little prospect for improving gross margins. As a result, the challenge to improve internal operating efficiencies will remain paramount. Merchants who have invested in facilities, computerization and other equipment over the past few years are expecting those investments to contribute toward higher productivity, better efficiency and more effective expense controls. Each merchant's competitive edge will be strongly emphasized and marketed. The value-added services of a broad product offering at competitive prices, timely deliveries and accurate support services—many of these are linked to better and more efficient computers—may spell the difference between a mediocre and outstanding year for the paper merchant in 1987.

Frederick J. Stabbert

CHAIRMAN'S CORNER

The Year Ahead Will Be What You Make It

NPTA is completing a great 1986 and you will see new services and programs put in place with the new year. For business in general, activity in 1986 was set by consumer goods and since our industry is closely tied to that segment, we benefited with increased sales.

According to market analysts, the year will close out with real GNP gaining at about a 2½% rate, while the paper industry will show increases of almost 4.5%. With the economy maintaining a reasonably strong rate, packaging should do well in 1987.

The new tax reform will have a strong impact on the industry's capital investments. However, the short term effect will increase spending on consumer goods. Since the industry has completed a major round of expansion programs, this slowdown should not affect its ability to meet anticipated demand. The legislature hopes that the positive effects of tax reform will come to pass in 1988.

The tendency toward mergers has really strengthened the base of industry operations by putting the companies in the hands of those individuals who want to manage the paper business and consequently will make the investments necessary to keep the industry competitive in this increasingly difficult international climate.

Finally, it is important to recognize that the paper industry is an example of an old, well-established industry that is able to keep itself healthy and progressive through frequent injections of capital and careful attention to changing markets through better management and investment.

I firmly believe that much of our destiny is controlled by ourselves and by how hard we apply ourselves to arriving at specific goals.

Best wishes for happy holidays for you and yours.

Francis J. Houlihan
NPTA Chairman

Optimizer Protection

Hospital Facial Tissue

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special markets.

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Fortunes are often locked behind market barriers. The keys to these markets are items like the SERIES 2000 two roll cabinet, Signature embossed towels, decorator boxed facials, and rugged optimizer poly case packaging. Special products, the keys to special fortunes.

"We are specialty"

CrownZellerbach
A subsidiary of James River Corporation

James J. Swearingen

Critical to Success: Expense Control, Asset Management, and Marketing

by James J. Swearingen
executive vice president
Paper Corporation of America
Valley Forge, PA

We are anticipating a continuation of the economic and business conditions that prevailed during most of 1986, and we are basing our 1987 plans on a low-growth, low-inflation, highly competitive environment. As in 1986, strict expense control and asset management combined with creative marketing programs will be critical to our success.

A company-wide expense reduction program that was developed and introduced in early 1986 has proven to be very successful. Of most significance is the fact that this reduction in our expense base and control over the "creep" in our expenses have been accomplished without sacrificing our service to our customers. This program will be continued in 1987.

We have also been successful in reducing our substantial inventory investment, again without sacrificing service to our customers. This reduction was accomplished through a detailed evaluation of all inventory items, and more importantly, through the ongoing education and training of our buyers.

In view of existing business conditions and as part of our total marketing effort, we are concentrating on more specific customer-focused programs in 1987. These programs will provide benefits for both our various customer segments and our suppliers.

Our acquisition of Unijax, for example, has placed us in a better position to expand our national account-selling programs. This major acquisition, and the 38 southeastern locations it brought us, has also helped us to identify significant opportunities in the industrial side of our business.

We will continue to emphasize and refine the marketing programs, both mill brand and private brand, that we have developed with our printing paper suppliers. These programs are directed toward the high growth segments of the market, and, while margin pressure is se-

vere in many of these segments, distribution efficiencies have enabled us to compete effectively.

We have developed new products and marketing programs for our converting companies, and we anticipate a continuation of their solid performance in 1987.

Our national retail store program has expanded to 51 locations with the acquisition of the Unijax stores. These stores serve a very important market comprised of many small end users, and our retail concept affords us an opportunity to participate in this market on a profitable basis.

If we are successful in maintaining a proper balance of the many factors involved, we feel we will achieve our ambitious objectives in 1987.

Guarded Optimism for Louisiana

by Alan Rosenbloom, president
Marks Paper Company
New Orleans, LA

The economic slump which has plagued us since the fall of 1985 still continues in the state of Louisiana. What stimulates growth in most of the country's heavy industrial areas has been the source of recession for the Gulf South area. As the price of oil continues its upward trend, we at Marks Paper are looking at this sign with guarded optimism. With the present rate of the growth in oil prices, we may see some healthy signs by the third quarter of 1987.

We cannot look to oil alone as the cause of the problems in our area. We also need to look at tourism and shipping. Tourism is on the way to recovery, while shipping is probably a three-to-five-year project.

From a personal note, we feel our company is going to show a modest growth in 1987 because of the ambitious marketing program we began in 1985. We also believe that by offering customers good availability of inventory and service, they will be willing to pay a little more. We have used the lull to initiate an extensive personnel training program. These programs have enabled us to maintain margins at an acceptable level.

Alan Rosenbloom

Introducing Marvel's new long-life Ener-Gee Save® lamp. Marvel long-life lamps cost less, last twice as long as ordinary bulbs and the new Ener-Gee Save® lamps save energy too. What's more, they're made in the United States and are sold exclusively through distributors.

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ONE THAT SAVES ENERGY TOO IS MARVELOUS

In talking to other local merchants, they also think we have seen the worst, and a slow-growing trend will begin.

Good management, we believe, with stricter credit policy, aggressive marketing, and identification of new markets will create the growth needed in our trading area.

Gene Shelton

1987 will be a Challenging Year

by Gene Shelton, president
Sunclipse, Inc.
Montebello, CA

From the present vantage point, there are many uncertainties concerning the economic climate for 1987. The November elections which are in the future as this is written, could influence policy either by approving the course Ronald Reagan has set and retaining a Republican Senate, or by questioning it and turning Senatorial control over to the Democrats. It is difficult to determine the mood of the country until the votes are in.

In any case, business is faced with a dramatically new tax situation, one that changes many of the rules of the game as previously played. No one is sure what the immediate effect will be on investment and expansion activity. There is much that is positive in the new law but it will take time before the adjustments are made that allow decision makers to proceed with confidence.

At Sunclipse, we look for inflation to remain under control, which means that most improvements in margin will have to come from cost reduction and higher productivity. We plan to continue to modernize our production equipment to provide the environment for productivity gains. But in the last analysis the success we have in motivating our people will be of primary importance.

People are the indispensable part of the equation. The company that provides an atmosphere that encourages their growth, recognizes their input and rewards their effort is ready to respond to most variances in economic situations.

Our industry is in a constant state of change. We see ownership changes and consolidations and we also see companies drop by the wayside. These changes will continue, whatever the economic climate. At Sunclipse, we encourage an attitude that adapts to change and anticipates taking advantage of the opportunities change brings. 1987 will be a challenging year, but for those who meet challenge it promises to be a good and rewarding year.

Michael K. Olthoff

Focus: New Products for a Stable Year

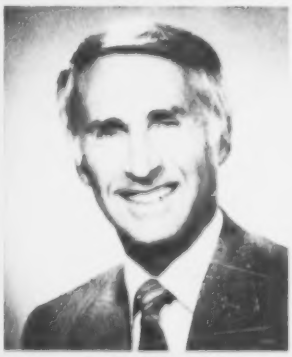
by Michael K. Olthoff, vice president
Nichols Paper and Supply Company
Muskegon, MI

The business outlook for 1987 can best be described as stable. In the markets we serve, we do not foresee any major business swings in the coming year. This, of course, presents a problem for any growth-oriented company. How are we going to increase our profitability and keep our people enthusiastic in a flat economy? There must be a two-pronged attack. (We are assuming that we take a continual close look at receivables, inventory, and expenses.)

First, we must be willing to actively look for new products. These can come from existing suppliers or a totally new line. We all know that we get results by showing new ideas and being creative. Our account managers and our customers are interested in new products. If you are going to get good results, upper management must make new products a focus so that people in all levels of your company know this is a priority.

Second, we must be willing to act as account managers and not just as sales representatives. We have to know our key accounts thoroughly so that we can introduce the correct products that will be a true value. This involves training of our people because it plays a key role in how the customer perceives us as a distributor.

Although 1987 is being described as a stable year, it will be a good one; but only for those distributors who are properly prepared to go to the marketplace. We feel we will be successful in achieving this goal.



Henry G. Phillips, Jr.

Texas Will Grow Again Next Year

by Henry G. Phillips, Jr., president
Clampitt Paper Company
Dallas, TX

While 1986 was a good year with a modest increase, it was not as good as we forecasted. For so many years, we in Texas were almost recession proof. With a booming economy, a minimum amount of effort brought good

growth. Those times are gone and may never return. Now we must reexamine our business to see how to meet the new challenge of the next few years.

We believe the business recession experienced in Texas has bottomed out and we will see a growing economy again in 1987. If that happens, we in the paper business can expect to benefit.

Although the availability of printing paper has tightened somewhat in recent months, we see 1987 as another year in which our products will continue to be freely available, permitting growth in all areas. Yet, even though American paper manufacturers will have adequate capacity, we will continue to see foreign paper manufacturers trying to obtain more distribution for coated papers and cut size bond.

The cut size market continues to lead all others in total growth. The slowdown in the economy did not affect the copier market as much as other areas in the printing paper field. We will still feel pressures from business forms manufacturers for this business as the high speed copiers go on cutting into the conventional business forms market. We have seen O.E.M. become more aggressive trying to protect their share of this market. It will not be easy, but we feel that aggressive paper merchants will continue to grow in this area. We also believe the convenience store will expand in 1987 as the major markets expand. The service these stores provide cannot be provided by paper merchants with their broad geographical territory.

In summary, 1987 will be a good year, better, we believe than 1986. It won't be easy, but no one ever promised that selling paper was easy. It is fun though, and we are enthusiastic about the possibilities.

More Sales Training in the Coming Year

by Lawrence S. Pollock, Jr., president
Pollock Paper Distributors
Dallas, TX

Our outlook for 1987 is, as it was for 1986, cautiously optimistic. We feel we have been reasonably effective in reaching goals that were set for this year and we plan to continue to manage our business to keep improving our returns. Certainly, in our part of the world, inflation still seems more than under control. What we are having to adjust to is a slowed down rate of growth in our trade area, although we hope we have seen the bottom of the curve.

Since the influx of people and expansion of existing businesses has slowed, more constructive and specialized selling efforts will be required. This will mean a continuation of our "in depth" training programs for new sales people and the continuation of our efforts to upgrade our account performance, which is the way we monitor a salesman's effectiveness at each account in his ledger. Additionally since

To sum up, opportunities still exist in this business, and we have confidence in the abilities of our people to perform in the market place.

Lawrence S. Pollock, Jr.

Look Toward a Satisfying Year

by Alfred M. Schlosser, president
Lindenmeyr Paper Corp.
New York, NY

Alfred M. Schlosser

At Lindenmeyr, we are making our plans for 1987 on the basis that there won't be a tremendous amount of strength to the United States economy. Somehow, non-election years have a way of turning out with poorer business conditions than election years.

Furthermore, it will be the first year in which both businesses and individuals will be operating, and making decisions, under the new tax law.

We expect next year to be a difficult economic environment with demand for use of paper growing slowly. Coupled with new free sheet and coated paper capacity, it is likely to have an adverse impact upon both manufacturers' and merchants' margins.

In order to meet the challenges of the coming year, we are working diligently to keep our expenses under good control. However, increased sales efforts will be very important, and we are planning to continue to add to our sales staff, and are actually budgeting more for advertising in the coming year than for 1986.

Planning these moves is one thing; executing them properly may be quite something else again. When we do our budgeting, I like to continually remind our managers that sales and gross margin targets are just goals that may or may not materialize, whereas the expenses that we budget are much more tangible and much more resistant to change. All in all, we are looking for a satisfying year in 1987, but it won't be done without a great deal of thought and effort.

Survey Reports Paper Merchant Converting Activity

For those merchants that do convert, it is an increasingly important service for their customers.

by John S. LaRosa
NPTA director of research

A significant number of paper merchants perform various converting operations as a value-added customer service. Yet it is an area that has not been investigated in depth until now. In September 1986 NPTA mailed a converting survey to 550 paper merchant companies and received a total of 94 replies.

Industrial paper merchants constituted 41% of the total sample, followed by dual merchants at 31% and printing paper at 28%. The breakdown of respondents by company size was as follows:

Under $10 million	42% of companies
$10–25 million	26% of companies
$25–50 million	12% of companies
$50–100 million	4% of companies
$100 + million	16% of companies

Here is a profile of the typical paper merchant that performs converting operations today.

- The firm most likely has net sales under $25 million, skewed heavily to under $10 million.
- About 5.2% of total sales are derived from converting.
- Slitting and sheeting are performed most frequently, related most commonly to offset and bond paper, board products, and foam/polyethylene.
- Sheeting operations are most profitable.
- The average merchant has been converting for 25 years, and 17.5% of his work force is somehow involved in these operations.
- A large majority do separate converting sales and related expenses from the rest of their business and use a job costing accounting method most often.
- Two-thirds of merchants report converting to be increasing in importance.
- The key reason to offer this service is to provide added customer service, increase customer loyalty and differentiate the firm from the competition. The main drawback is the investment required to start up the operation.

Detailed Survey Findings

What Percentage Does Convert and What Share of Sales Does It Represent?

60% of companies responding indicated that they did not have converting operations—representing zero percent of their total revenues. 40% did have converting operations. The overall average for 85 firms was 5.2% of total sales contributed by converting functions.

When looking only at the group that does convert, an average of 13% of their sales were attributable to converting (ranging from under 1% to 95%).

Types of Operations Performed

In order of importance, following are the types of converting operations performed by paper merchants:

Operation	% of sample
1) Slitting	24
2) Sheeting	23
3) Rewinding	12
4) Roll to sheet changes	11
5) Cutting*	11
6) Trimming	5
7) Round cornering	3
8) Other**	10

*Includes: cutting to smaller sizes, die cutting, cutting printing paper and foam products.
**Includes: 3-hole punching, ruling, pressure sensitive label printing, private labeling, drilling, pouches.

What Are the Main Products Converted?

Major paper grades converted cluster primarily into three groups although many others are included. In order of frequency mentioned, the grades are:

1. Offset and bond paper
2. Chipboard, S.B.S. board
3. Foam/bubble/polyethylene
4. Uncoated stock
5. Tag, index stock
6. Corrugated sheet
7. Kraft
8. Coated stock

9. Newsprint
10. Vellum
11. Enamel
12. Xerographic
13. Book paper
14. Pressure sensitive stock
15. Films and foils
16. Text stock
17. Agricultural pads
18. Non-wovens.

Detailed Survey Findings continued

According to William Bregman, president of the Deltapaper Company, Philadelphia, PA "We are concentrating on sheeting, slitting, flexographic printing and laminating—the two latter functions are usually not performed by a typical paper distributor. Deltapaper is primarily a converter that got into distribution, rather than the opposite situation for most other NPTA members. I see the market in paper-based packaging materials as declining, but it is still important and has shifted to being a specialty area rather than a commodity type item."

What Share of the Workplace is Involved in Converting Functions?

From less than 1% to 78% of a merchant's total personnel may be involved in converting operations, a wide range. The average for all firms is 17.5%

What Converting Operation is Most Profitable?

By far, sheeting operations were stated to be most profitable.

How Long Have Merchants Been Converting?

There is indeed a broad range here, from 1 to 100 years. Responses indicate that merchants either have been converting for the major lifetime existence of their firm (20 to 25+ years) or for a very short time (for new firms established only a few years ago). It seems unlikely that a long-established company just recently began offering this service to its customers. Nevertheless, the overall average was 25 years.

Do Merchants Separate Converting Sales and Expenses from the Rest of Their Business?

A total of 67% said yes, 33% said no. If these sales and expenses *are* separated, 54% use a "job costing" expense accounting system, while 38% utilize a "process costing" method, and 8% use "other" methods.

Are Converting Operations Increasing/Decreasing in Importance?

Fully 65% of respondents said that converting was increasing in importance. 28% said it was decreasing, and 7% stated that for them there was no change.

What Are the Advantages of Converting?

By far, the most important reason for paper merchants to perform converting functions is to offer extra service to their customers in order to differentiate themselves from the competition and gain a "competitive edge." These were the main reasons cited, in order of importance:

1. Added service/quality, offer more complete product line, increase customer loyalty
2. To develop a "cushion" business, serve unique markets, diversification
3. Offer customers special sizes not available from mills, offer small orders
4. Increase sales base and cash flow
5. Make company more flexible and competitive
6. To increase profits
7. Quick delivery to customers
8. Convert hard-to-sell items into sales
9. Lower the firm's inventory
10. Increase control over final product.

Robert Shorr, president of Shorr Paper Company, Chicago, IL indicates that "Converting operations should increase for us in the future, mainly because we actively promote it. We convert mostly kraft paper, packaging, and newsprint, and converting has been profitable for us. As for competition between paper merchants that convert and firms that are strictly converters, the merchant's advantage lies in better service and the ability to do smaller runs."

Gene Panecasio, vice president of industrial paper sales for Rourke-Eno Paper, Hartford, CT, says, "The ability to slit various sizes eliminates the need to stock certain items, thereby keeping inventory down. Merchants perform slitting of *rolls* of foam (not bubble type), but fabricators will do the sheeting. The cost of converting for Rourke-Eno is close to a trade-off situation. The business has evolved from a situation where there was an opportunity to buy cheaply, convert, then resell at a profit, to one now where prices have dropped and profits have fallen."

What are the Disadvantages?

Most of the disadvantages to performing converting operations center around the investment required in people, time and equipment to start up the function. Following are the most significant disadvantages mentioned, in order of importance:

1. Investment required: overhead, startup costs,

The Ability to Slit Certain Sizes Eliminates The Need To Stock Certain Items.

The Market is Becoming Much More Demanding for All Products

people and training, space, equipment, inventory
2. Labor issues: union restrictions, labor intensive, workmen's compensation costs
3. Not profitable
4. Wastage
5. Determining actual costs
6. Difficulty in scheduling manufacturing operations
7. Speculative nature of the operation
8. Competitors don't know the market and tend to "give away" the items.

Of course, the findings of this NPTA survey cannot represent the full extent of information regarding the converting market. Information exists from many other sources. One such source, published annually, is *Walden's ABC Guide* which lists 4,000 "true" converters (not manufacturer/converters). These are in essence the people paper merchants compete with when they perform converting functions.

A good part of converting is also related to fiber boxes/cartons and envelopes. As a broad indicator of this overall market, the statistics below illustrate recent trends in this area.

Fibre Box Shipments (Billion sq. ft.)

	1980	1981	1982	1983	1984	1985	Estimate 1986
	241.4	246.2	235.2	252.9	267.6	264.1	277.5
Year-To-Year Percent Change	−3.6	2.0	−4.4	7.5	5.8	−1.2	5.1

Source: American Paper Institute, First Boston Corp.

"Industrial Converting" production for the period January to March 1986 was reported at 847,000 tons, versus 887,000 tons for the same period last year (a 4.5% decline).

In a recent report, *U.S. Demand for Paper Grades in a Competitive U.S. Market*, the Communication and Information Services Co. (phone: 415–930–6286) estimated end use consumption and performance for various grades. Following are their estimates.

Average Yearly Change In New Supply

	1986–95	1976–85
Converting	2.4%	4.4%
Envelopes	3.2	4.5

The envelope business is of interest to both printing and industrial paper merchants, and is related to converting as well. Envelope shipments have increased steadily over the past 25 years and forecasts point to continued growth. As of mid–1985, many envelope converting plants nationwide were back-ordered. Projections for 1985 were a 9.1% sales gain and an 18% revenue increase. The U.S. Post Office predicted a strong 1985, expecting the number of pieces to rise to 122 billion.

For additional information regarding converting, the reader may find it useful to contact one of the following related trade associations.

Envelopes Mfrs. Assoc. of America
1300 N. 17th Street
Arlington, VA 22209
(703–276–9300, T. Randolph Shingler)

Fibre Box Assoc.
5725 E. River Rd.
Chicago, IL 60631
(312–693–9600, Thomas J. Muldoon)

Natl. Paperbox & Pkg. Assoc.
231 Kings Hwy. East
Haddonfield, NJ 08033
(609–429–7377, Lawrence J. Lynch)

New England Paper Box Mfrs. Assoc.
Box 2761
Providence, RI 02907
(Ezio H. Carnevale)

Tag & Label Mfrs. Institute
P.O. Box 1333
Stamford, CT 06904
(203–323–3143, Penny Dalziel)

Technical Trends: U.S. Converters Face Stiffer Competition From Europe and Japan

The October 1986 TAPPI Journal published an interesting article concerning converting trends, basically stating that the U.S. has lost its leadership position to Western Europe and Japan. The reason is due to a concentration by the paper/paperboard industry on cost minimizing, rather than quality or maximizing performance. The market is becoming much more demanding for all products.

The only area where the U.S. now leads is in tissue and absorbent products, with Western Europe leading in paperboard and printing papers, and Japan in specialty papers. Converting technology, such as preprint linerboard, composite packaging and board products, and aseptic packaging, is now being imported to North America. However, there does exist an opportunity for U.S. converters to work with quality-oriented U.S. paper mills in importing some Japanese know-how in the specialty papers area.

2ND QUARTER 1986 ACCOUNTS RECEIVABLE PERFORMANCE: PAPER MERCHANTS VS. THE U.S.

In the August 1986 issue of *MN*, information was published regarding TRW's Information Services Division accounts receivable trends. The data is in the form of a "Business Payment Index," tracked for various industries. Paper distributors are one of these sectors monitored, and this article serves to update this activity.

Second quarter 1986 data has just recently been published and is presented below, along with prior year data from 1985.

As the table shows, the percent of receivables classified as "current" for paper distributors improved from the first to the second quarter. This is in contrast to the overall U.S. average, which dropped from 78.2% to 77.1%. According to TRW, "The government's estimates of economic growth have been scaled back, corporate profits, cash flow and employment have leveled off, and interest rates have stayed at the same point for several months... It is no wonder that the percent of accounts receivable that are current was not able to sustain the heady heights reached in the first quarter of the year... The second piece of good news is that there was no increase in the percent of accounts receivable more than 60 days past due."

NPTA's monthly Paper Merchant Sales Report also tracks receivables activity (days outstanding). For industrial paper merchants, days of receivables improved from 40 in March to 38 by the end of June. For printing paper firms, however, this figure rose from 42 in March to 43 by the end of the second quarter.

See sales, inventory, and receivables charts on page 30.

White House Small Business Conference

Continued from page 13

other federal department, with the administrator of the agency serving in the Cabinet.

All of the country's resources should be combined to combat drug abuse. The goal should be to have a drug-free school system and work force in America.

Small businesses should have equal access to commercial credit and ensure that women and minorities should not be discriminated against in obtaining commercial credit.

By 1990, small business should receive 35% of the total federal government contract awards in the form of set-asides for all categories of goods and services.

The final report of the 1986 White House Conference on Small Business will be prepared by the Conference staff and will detail the full text of the original 60 recommendations. It may be obtained from Herb Spira, Arthur Andersen & Co., 1666 K Street, N.W., Washington, DC 20006.

TAX REFORM: CONFEREES APPROVE PACKAGE FAVORABLE TO WHOLESALERS

On August 16th, a 22-member House and Senate Conference Committee approved an agreement to overhaul the tax system, reconciling House and Senate-passed bills crafted by House Ways and Means Committee Chairman Dan Rostenkowski and Senate Finance Committee Chairman Bob Packwood.

The legislation fashioned by the conferees is very favorable to wholesaler-distributors. The 34% top corporate tax rate, applicable to businesses with income above $75,000, is considerably lower than the current rate of 46%, and would significantly increase retained earnings. Companies with incomes up to $50,000 will pay taxes at a 15% rate under the plan; those earning between $50,000 and $75,000 will pay at a 25% rate. The increase in the expensing limits to $10,000 from the current $5,000 is also a big plus. Additionally, the approved package includes the NAW-supported provision for simplified LIFO inventory accounting originally contained in the House version of the bill. Under this provision wholesaler-distributors with $5 million in gross annual receipts would be able to employ this accounting method, which helps keep taxes down during inflationary periods.

Other areas singled out by the delegates for action include employee benefits, deficit reduction/balanced budget, and capital formation incentives.

Accounts Receivable—In Percents
Paper Distributors

		1986		1985			
		1st Qtr.	2nd Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
	Current	66.0	67.8	65.1	66.9	68.5	68.8
	1–30 days	19.8	18.6	21.4	19.9	19.1	18.8
Past Due	31–60	7.2	6.2	7.6	6.5	6.3	6.2
	61–90	2.7	2.7	2.4	2.5	2.0	2.3
	90 +	4.4	4.7	3.5	4.3	4.2	3.9

A Candid Conversation with a Telemarketing Specialist

Recently, the National Association of Wholesaler-Distributors (NAW) published what the National Paper Trade Association considers the state-of-the-art guide to business-to-business telemarketing. ***Win-Win Telemarketing for Wholesaler-Distributors*** *was authored by S. Michael Zibrun, an industry expert and president of S. Michael Associates, Ltd., a business-to-business telemarketing consulting firm. He was recently interviewed by MN in his Berckley, IL offices.*

S. Michael Zibrun

MN: *What made you decide to write a book on telemarketing?*
Zibrun: I think you're beginning to see more written on telemarketing because of the explosive growth of the field. According to consultant Gene Kordahl, the discipline has grown from a $3 billion industry in 1980 to a $100-plus billion industry in 1986. And the end—literally—is not in sight. Personally, I found that a number of the books out in the market either talk all theory, or only whetted your appetite. I thought it was time for a "how-to" manual that—if followed—would actually take you through the steps needed to bring a program on-line. It's practical. It works.

MN: *What is your background in the field?*
Zibrun: I've spent two decades in business marketing; my last 10 years have been in the phone contact programs area. I've worked with several hundred firms in design and consultant work on direct sales, lead generating and handling programs. Over 5,000 professionals have attended my phone technique seminars. Basically, helping firms get the best return-on-investment from their phone contacts is my specialty.

MN: *What makes "Win-Win Telemarketing for Wholesaler-Distributors" unique?*
Zibrun: First of all, it is the only multi-media package on the market which is tailored specifically to the needs of wholesaler-distributors. Secondly, both NAW—my publisher—and I felt that having interested professionals wade through hundreds of pages of information wasn't helping them make the most efficient use of their time. So we divided the materials into a unique three module format that provides the three key people at an organization with materials that relate specifically to their roles in designing and implementing a telemarketing program. Module One is for the CEO and guides him through determining the intent and scope of the program. Module Two is for the appointed phone program administrator and assists in constructing the framework of the program. Module Three is for the telemarketer who will make the account contacts; it emphasizes technique. An accompanying workbook and cassette train the telemarketer to develop his or her own approach to a successful conversation. In short, it's a working blueprint for making phone usage more cost efficient.

MN: *Is it difficult to set up a telemarketing program?*
Zibrun: It's like any other marketing tool. The more time you correctly put into it, the better the return on investment. If you've had some experience, you know that you have certain "rules of the road" that have to be followed. If you've had little or no experience, you can succeed if your company is willing to invest in the trial and errors that abound the first time you do something new. That's why I've tried to write a manual for both experience levels. It has something for everyone.

MN: *What are some of the misconceptions about telemarketing?*
Zibrun: Many people see outbound calling as a bother. You know we all hate to be bothered by nuisance calls.

"Old world marketers" feel success is based on the hard sell. It's not. Trust, not high pressure tactics, opens the door to opportunity. In fact, good telemarketers are like good field reps, few and far between.

"Old world marketers" also think that all you need is a script. The script should simply be something to practice with before the actual call so that the telemarketer can concentrate

on the content of the call, not the form.

Really, if you build a program correctly, "no's" are not "no, never," only "no, not today." You have to plan your work, then work your plan, rather than haphazardly jumping into telemarketing.

MN: *What potential does a phone program have for increasing exposure?*

Zibrun: A phone program seems pretty straightforward and innocuous. You call and talk with prospects, and products or services occasionally are sold. But there is so much more that can happen with a program. For instance, every conversation with a prospect allows you to uncover more information. In a short period of time, you can build a very nice "needs and wants" profile for your data base on each account contacted. Each call also allows you to educate the account about the other services your firm provides. Oftentimes people buy at a certain level only because they know you for a few items. But the more someone knows about what your company can provide, the greater the chance to quote more.

Since programs can be tailored to a firm's needs, you can design a direct sales program that goes after incremental business. You can set up a lead-generation program that helps give better direction to your field sales force. And you can go with an inquiry-handling program that follows up by phone on inquiries generated by an advertising program.

MN: *How do you evaluate the success of your phone program?*

Zibrun: If you carefully construct the program, you'll have very specific objectives for the efforts—as well as a way of measuring them. Exceeding the objectives you've set for your specific situation is certainly desirable. But I think it is imperative that the monitoring system you design to capture information, results and impressions give you the benchmark data you need to compare against results expected. You need to look at both quantitative and qualitative results, and then plan how to build from that success level.

MN: *Where do you find people who work well on the phone?*

Zibrun: Good people are *rare*, but good people *are* there. I've always found the most successful people in phone programs are those who are both good listeners, and who see the position as an opportunity to "shine." You can look internally; often there are loyal employees who might be ready to move up to more responsibility. Or you may have people who have plateaued and are looking for a new challenge. Still others may only be waiting to be asked. Externally, you can find some people who may not have industry background, but are excellent communicators.

MN: *Does telemarketing provide career opportunities for those people?*

Zibrun: Industry estimates claim that over 2 million people will be in telemarketing by 1990 and over 8 million will be in it by the year 2000. It's not a stepping stone to another position. It is now being looked upon as a career in and of itself. The key to establishing it as a career position is in both correctly supporting the effort and correctly rewarding the talent as he or she continues to succeed. A phone program representative should grow personally and professionally within the area where he or she does best.

MN: *How does the future look for telemarketing?*

Zibrun: Interestingly, DREF, the Distribution Research & Education Foundation (the research arm of NAW) has looked into industry trends for wholesaler-distributors through 1990. One aspect evaluated was the inside sales/telemarketing area. Projections indicate that in a few short years, the bulk of the orders placed and business done will be through the inside sales/telemarketing function. This will not be in conflict with field sales; rather, it will be another value-added service wholesaler-distributors can offer their customers.

The future in business-to-business telemarketing is both bright and explosive. And those progressive firms that carefully add telemarketing to their bag of tools to get product or service to the marketplace will be reaping large rewards long after competition is figuring out how to play catch-up. It's a very exciting time for this oldest of new disciplines.

MN: *Thank you very much.*

Win-Win Telemarketing ***is available from the NPTA Communications Department at $135 per copy and comes with a 10-day money-back guarantee. Further information may be obtained by writing the National Paper Trade Association, 111 Great Neck Road, Great Neck, NY 11021; or call 516-829-3070.***

Sales Force Lack Selling Skills? The Solution is NPTA

During the month of July, merchant presidents throughout the Midwest were asked a number of candid questions pertaining to their company's future growth.

- What are your priorities in managing your sales operation this year?
- Do your sales people have the skills they'll need to meet or exceed your sales objectives for this year?
- What are the strengths of your sales force? How do you see them using those strengths to meet their goal?
- What would you like your sales people to do better? What are their weaknesses?

And, most importantly, they were asked, "Are you ready to take the bold initiative to embark on a program geared to making your sales people more competitive, productive and motivated?

Those who responded yes to this last question took part in an exciting new NPTA training dimension. One or more sales managers from a select and limited number of companies participated in a Professional Selling Skills (PSS III) program.

With a four-year NPTA endorsement, and used by over 250 wholesale paper distributors, PSS III has been responsible for upgrading the professional selling skills of over 2,500 sales people throughout the U.S. and Canada.

Merchants who had not yet embarked on PSS III were invited to send a sales manager through the complete course at the Indian Lakes Conference Center outside Chicago in October. This was followed by a train-the-trainer session, providing attendees with the skills to administer PSS for their own sales people at a time during the year convenient to their firm's schedule.

Ten attendees participated in the October 9–11 program and six were part of the October 13–15 training group. Sales managers from both groups went back to their firms with increased skills and enthusiasm for the Professional Selling Skills program.

Robert Kaseberg—Forest-Atwood Paper Co.; Eric Mohr—Dacotah Paper Co.; Dan Murphy—Fleetwood Paper Co.; Bret Miller—Central Wisconsin Paper Co.; Kenneth Abbenante—Nagel Paper & Box Co.; Jeff Neubauer—Kranz, Inc.

PSS III is based upon the principle of need satisfaction selling. Professional selling is an *interaction between* two or more people—the *sales person* and the *customer(s)*. And a sales interview can only be considered successful if its objective is to satisfy the needs of the seller as well as of the buyer. The sales process can be viewed as an *excellent example of problem solving*. The customer has problems, and the sales person has solutions in the form of benefits of his or her product. The *sales person uncovers customer needs* for the product, *provides benefits to satisfy those needs*, and makes the sale. When the sales person solves the customer's problems by providing benefits of the product, both people profit. The buyer's needs are satisfied *and* the seller makes a sale, thus satisfying his or her needs. This is need satisfaction selling.

In addition to uncovering client needs, satisfying them with product benefits, and making the sale, a professional sales person *must be able to identify and handle* a variety of *customer attitudes* that can occur during a sales call.

There is a basic philosophy underlying this form of selling: an interaction is much *more effective when the customer is brought to realize* that he or she really *needs the product* being sold. Here, a *sale is made because the customer wants to buy—not because* he or she is *pressured into a commitment*. Need satisfaction selling *establishes a bond of trust* between the sales person and the customer and ensures a good future business relationship.

Professional Selling Skills System III is a scientific system of learning, coaching, and indepth follow-up that prepares your sales people to sell more effectively—one that teaches the skills that research has identified as critical to sales success in the '80s.

Today's customer demands more and spends wisely. In most cases, he or she has the choice of buying from a number of companies which provide similar products or services. What will make the customer choose yours? The customer must be convinced that you can meet his or her needs. This calls for a sophisti-

cated selling process.

How can you bring your sales people to that level? Implement a sales training system that teaches a more precise understanding of the *need satisfaction* sales dynamic and apply it to your own selling environment.

To be successful today, sales people must do more than recognize customer needs and take appropriate steps to satisfy those needs.

Between identifying the customer's dissatisfaction and responding with product benefits lies an often neglected but absolutely essential objective: confirming the customer's desire to satisfy the problem.

Often, this means helping the customer to:

1. perceive an existing problem
2. understand that the problem can be solved
3. recognize that he or she wants to solve the problem.

The sales person must convince the customer that he or she has a problem that is important enough to be resolved and can be resolved by the sales person's products or services. Additionally, the sales person has to confirm that the customer is committed to fixing the problem. Otherwise the likelihood of success is minimal. Because consistent, long-term follow-up is crucial to effective sales training, PSS III includes sales person reviews.

SELF-INSTRUCTIONAL FOLLOW-UP MATERIALS help sales people retain and strengthen PSS III skills on their own time, at their own pace, and within their personal selling contexts.

GROUP APPLICATIONS extend the skills-training process for months and years ahead. These sessions allow sales managers to help their people improve their skills and apply them to different selling situations, strengthen coaching relationships, and address individual or group problems.

COACHING: Active coaching by the sales managers and ongoing review of the skills is essential to long-term sales training results.

To ensure that people do retain the critical skills, a coaching unit for sales managers is integrated into PSS III.

"The coach doesn't go home after pre-season practice," wrote one sales manager, voicing the view of many. "The coach works with his team, and is responsible for observing them. He troubleshoots and makes sure each team member is developed to full potential. He's there to give the team a winning perspective. That's what I do for my people."

Masoud Barissi—Louve Packaging Services; Doug Moody—Universal Paper Corp.; Tom Jones—Louve Packaging Services; Robert Ambrose—Ambrose, Inc.; Mark Kraus—Ambrose, Inc.; Chuck Roos—Apache Paper Co.; John Louve—Louve Packaging Services; Ken Gallock—Mellocraft Co.; Mark Gianneschi—Inlander-Steindler Paper Co.; Kent Dennis—Inlander-Steindler Paper Co.

This observation underscores the importance of continued coaching by sales managers for effective sales performance. That's why PSS System III includes a half-day coaching program to help sales managers:

- *identify*, through careful observation, the strengths and deficits of their sales people in using the skills; and
- *improve* their sales people's performance by providing specific action steps to correct the deficits.

PSS System III units include exercises which tie the newly learned skills to the products participants actually sell. The system goes beyond behavioral modeling to take full advantage of interactive instructional techniques, realistic video modes which are based on actual case histories, and allow your people to interact with a variety of selling situations.

The increased participation and real-world approach of the interactive videotape ensures that people will be able to put their new skills to use immediately.

PSS System III teaches the skills that research has shown are critical to sales success, provides an integrated system for ongoing reinforcement and support to make sure the skills are used, and takes advantage of new ways to improve the learning experience.

To find out about sending your company sales manager to an open PSS program, or having the NPTA conduct a session inhouse for your company, contact the Education and Training Department at 516-829-3070.

What Others Have Said

This course provided me with an effective means to structure and analyze my sales presentations. PSS gave me logical and basic skills to make my sales more productive. I'm looking forward to using these skills in our market as well as training my firm's sales people.

Bret Miller—Central Wisconsin Paper

PSS helps to structure a sales presentation, thereby greatly reducing a failure on a sales call. The program taught me to listen in order to recognize buying signals.

Ken Abbenante—Nagel Paper and Box

This course was concise and easy to understand. The principles taught can be applied to our everyday business and will definitely have a positive impact on our sales.

Doug Moody—Universal Paper Corp.

I can now effectively plan a sales strategy and organize myself to achieve my call objective.

Dan Murphy—Fleetwood Paper Co.

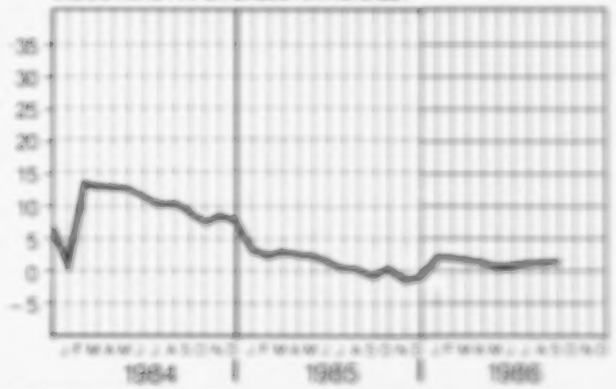
SUMMARY NATIONAL TREND INFORMATION: 1984 TO PRESENT

NOTE: *BEGINNING WITH THE JANUARY 1986 REPORT, STATISTICS WERE PRODUCED BY A NEW SYSTEM. THEREFORE, STRICT COMPARISONS TO PRIOR REPORTS SHOULD NOT BE MADE.*

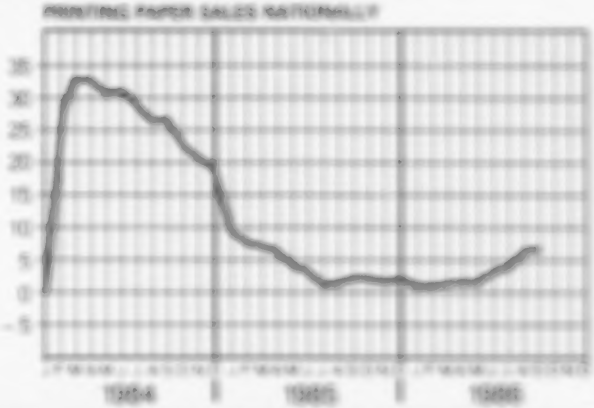
SALES INFORMATION

YEAR-TO-DATE SALES PER SELLING DAY AS A PERCENTAGE OF PREVIOUS YEAR'S YEAR-TO-DATE SALES PER SELLING DAY

INDUSTRIAL PAPER SALES NATIONALLY



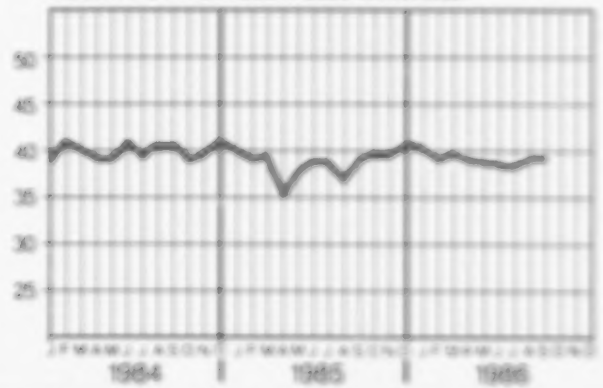
PRINTING PAPER SALES NATIONALLY



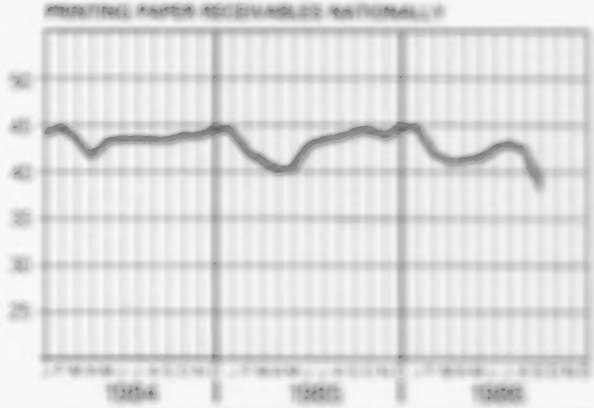
RECEIVABLES INFORMATION

DAYS OUTSTANDING—ACCOUNTS AND NOTES RECEIVABLE FROM PAPER SALES AT END OF EACH MONTH (IN CALENDAR DAYS)

INDUSTRIAL PAPER RECEIVABLES NATIONALLY



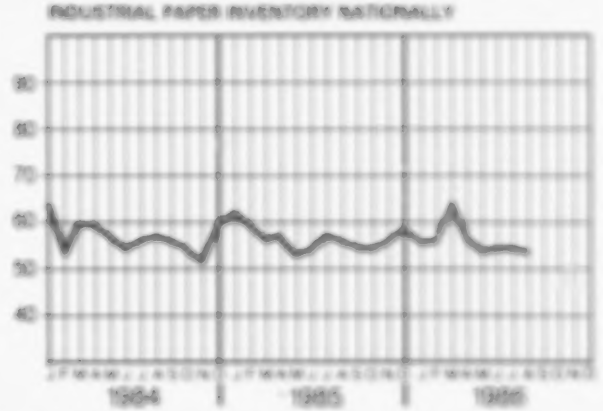
PRINTING PAPER RECEIVABLES NATIONALLY



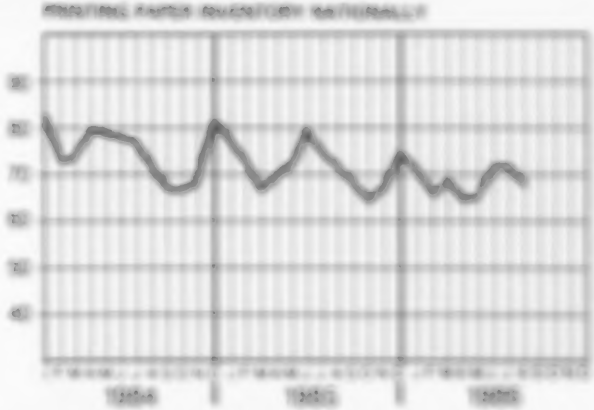
INVENTORY INFORMATION

CALENDAR DAYS COST OF ENDING MONTHLY INVENTORY (FIFO) (IN CALENDAR DAYS)

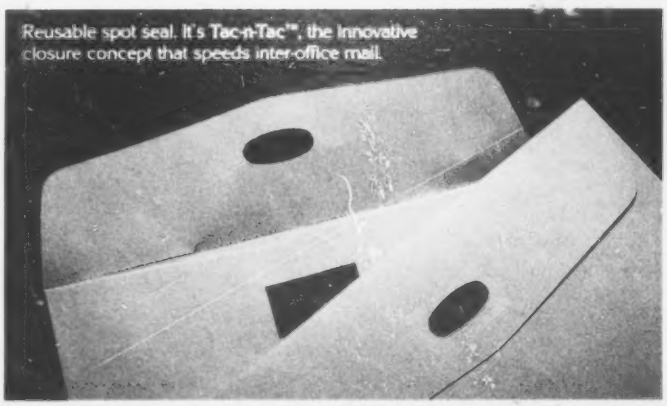
INDUSTRIAL PAPER INVENTORY NATIONALLY



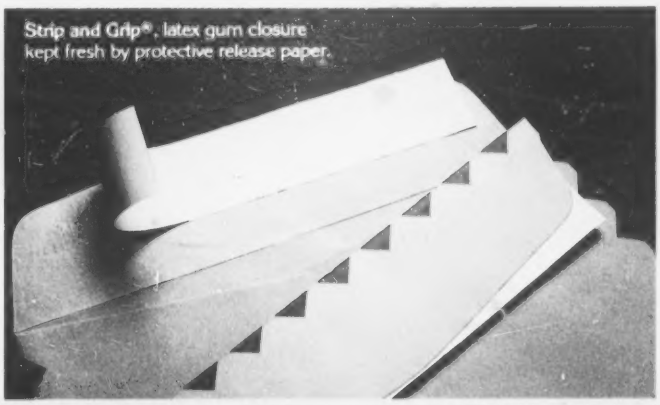
PRINTING PAPER INVENTORY NATIONALLY



Who but National Envelope offers you so many closures?

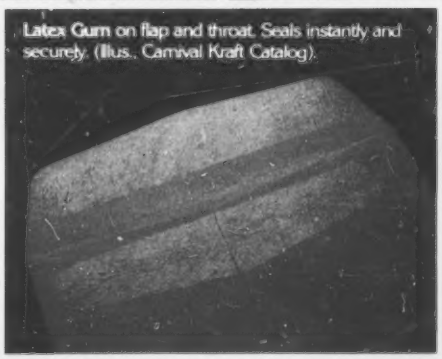


Reusable spot seal. It's **Tac-n-Tac™**, the innovative closure concept that speeds inter-office mail.



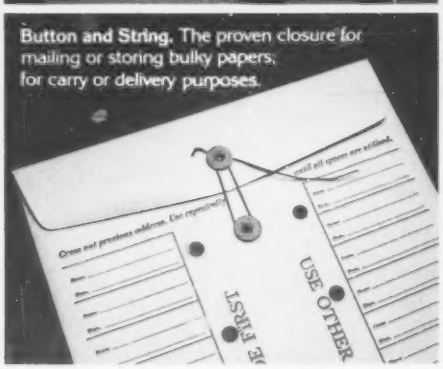
Strip and Grip®, latex gum closure kept fresh by protective release paper.

No-gum closures. Super sizes for hand deliveries or for storing; small size closures for filing.

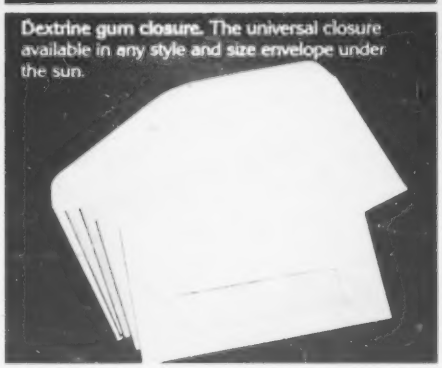


Latex Gum on flap and throat. Seals instantly and securely. (Illus., Carnival Kraft Catalog).

Bank Statement Latex Gum Envelopes. The efficient way to seal and send bulky contents.



Button and String. The proven closure for mailing or storing bulky papers; for carry or delivery purposes.



Dextrine gum closure. The universal closure available in any style and size envelope under the sun.

Clasp. The proven closure for mailing or storing bulky papers; for carry or delivery purposes.

Grow with National

The New York / National Envelope Group:

New York Envelope Corp., Long Island City, NY, 11101, 718 / 786-0300, 800 / 221-9551.
Envelope Convertors, Inc., Brooklyn, NY, 11237, 718 / 386-6000, 800 / 221-0605.
Champion Envelope Corp., Union, NJ, 07083, 201 / 353-8100, 800 / 526-6829.
National Envelope Corp., Worcester, MA, 01607, Box 1728, 617 / 798-8711.
Austell (Atlanta), GA, 30001, 404 / 944-3322, 800 / 241-8173.
Lenexa, KS, 66215, 913 / 888-3282, 800 / 255-6288.
Vinita Park (St. Louis), MO, 63114, 314 / 423-6700, 800 / 325-0002.

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And our elegant multi-ply napkins do any meal proud, but cost 75% less than cloth.

Our custom line brings in cash, too. It's broader

than anybody else's. So it gives you more merchandising opportunities. And profits that will make your mouth water.

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